

EXHIBIT 1

INTRODUCTION

Respondent Allstate Insurance Company Political Action Committee (“ALLPAC”) is a state general purpose recipient committee, sponsored by Allstate Insurance Company. Respondent James P. Zils was, at all times relevant to this matter, the treasurer of Respondent ALLPAC.

The Franchise Tax Board (the “FTB”) conducted two audits of Respondent ALLPAC. One audit covered the period January 1, 1997 through December 31, 1998, and the other audit covered the period January 1, 1999 through December 31, 2000. The FTB audits revealed that for four campaign reporting periods, Respondents failed to disclose specific contributor information regarding individual Allstate Insurance Company employees who cumulatively contributed \$100 or more to Respondent ALLPAC.

For the purposes of this stipulation, Respondents’ violations of the Political Reform Act (the “Act”)¹ are stated as follows:

- COUNT 1: In a pre-election campaign statement filed on October 5, 1998, Respondents Allstate Insurance Company Political Action Committee (ALLPAC) and James P. Zils, as Treasurer of ALLPAC, failed to disclose required information about 34 contributors of \$100 or more, during the reporting period July 1, 1998 through September 30, 1998, in violation of Section 84211, subdivision (f).
- COUNT 2: In a semi-annual campaign statement filed on January 21, 1999, Respondents Allstate Insurance Company Political Action Committee (ALLPAC) and James P. Zils, as Treasurer of ALLPAC, failed to disclose required information about 331 contributors of \$100 or more, during the reporting period October 1, 1998 through December 31, 1998, in violation of Section 84211, subdivision (f).
- COUNT 3: In a semi-annual campaign statement filed on January 7, 2000, Respondents Allstate Insurance Company Political Action Committee (ALLPAC) and James P. Zils, as Treasurer of ALLPAC, failed to disclose required information about 56 contributors of \$100 or more, during the reporting period October 1, 1999 through December 31, 1999, in violation of Section 84211, subdivision (f).
- COUNT 4: In a semi-annual campaign statement filed on August 1, 2000,

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code unless otherwise indicated. Commission regulations appear at 2 California Code of Regulations, section 18000, *et seq.* All references to regulations are to Title 2, Division 6 of the California Code of Regulations.

Respondents Allstate Insurance Company Political Action Committee (ALLPAC) and James P. Zils, as Treasurer of ALLPAC, failed to disclose required information about 89 contributors of \$100 or more, during the reporting period January 1, 2000 through June 30, 2000, in violation of Section 84211, subdivision (f).

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that all contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and so that improper practices may be inhibited. The Act therefore establishes a campaign reporting system designed to accomplish this purpose of disclosure.

Duty to File Campaign Statements

Under the Act's campaign reporting system, candidates and committees are required to file periodic campaign statements and reports disclosing their financial activities. Section 82013, subdivision (a) defines a "committee" as any person or combination of persons who directly or indirectly receive contributions totaling one thousand dollars (\$1,000) or more in a calendar year. This type of committee is commonly referred to as a "recipient" committee.

There are different varieties of recipient committees under the Act. The nature of the recipient committee dictates where the committee shall file its campaign statements and reports. Under Section 82027.5, subdivision (a), a recipient committee that is formed or exists primarily to support or oppose more than one candidate or ballot measure is a "general purpose committee". A "state general purpose committee," under Section 82027.5, subdivision (b), is a recipient committee that exists to support or oppose candidates or measures voted on in a state election, or in more than one county. Any person or persons who constitutes a recipient committee, pursuant to section 82013, subdivision (a), is required to file certain campaign reports and statements disclosing the campaign activity of the committee, as required under the Act.

Section 84215, subdivision (a) requires every state general purpose committee to file the committee's campaign statements with the office of the Secretary of State, the Registrar-Recorder of Los Angeles County and with the Registrar of Voters of the City and County of San Francisco.

Duty to File Pre-Election Campaign Statements

Section 84200.5, subdivision (e) requires a state general purpose committee to file pre-election campaign statements for an election held on a date other than the first Tuesday after the first Monday in June of an even-numbered year, if the committee makes contributions totaling five hundred dollars (\$500) or more during the period covered by a pre-election

statement. The committee shall file the pre-election statements according to the schedule set forth at Section 84200.7

As governed by Section 84200.7, subdivision (b)(1), a recipient committee shall file a first pre-election campaign statement for the reporting period ending September 30, no later than October 5. Section 84200.7, subdivision (b)(2) requires a committee to file a second pre-election statement for the reporting period ended 17 days before the election, no later than 12 days before the election. The period covered by a pre-election campaign statement begins the day after the closing date of the last statement filed by the committee.

Duty to File Semi-Annual Campaign Statements

As governed by Section 84200, subdivision (a), a recipient committee shall file two semi-annual campaign statements each year. The first semi-annual campaign statement must cover the reporting period January 1 to June 30, and must be filed by July 31. The second semi-annual campaign statement must cover the reporting period July 1 to December 31, and must be filed by January 31 of the following year. In any semi-annual period in which a committee is required to file pre-election campaign statements, the reporting period covered by the semi-annual campaign statement for that period is shortened from six months to the period between the closing date of the last pre-election statement and the end of the semi-annual period.

Duty to Disclose Campaign Contributions

Section 84211 prescribes the required contents of campaign statements regarding contributions. For contributions totaling \$100 or more, Section 84211, subdivision (f) requires a recipient committee to itemize on each semi-annual and pre-election campaign statement the following information about the contributor: (1) his or her full name and street address; (2) his or her occupation, and the name of his or her employer, or if self-employed, the name of his or her business; (3) the date and amount of each contribution; and (4) the cumulative amount of contributions received from the contributor.

Treasurer Liability

Section 81004, subdivision (b), Section 84100, and Regulation 18427, subdivision (a) require a committee's treasurer to ensure that the committee complies with the requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. A committee's treasurer may be held jointly liable, along with the committee, for any reporting violations committed by the committee.

SUMMARY OF THE FACTS

Respondent Allstate Insurance Company Political Action Committee is a state general purpose committee, sponsored by Allstate Insurance Company. Respondent James P. Zils was, at all times relevant to this matter, the treasurer of Respondent ALLPAC.

Respondent ALLPAC has been in existence since 1983, and makes political contributions to various state candidates. Respondent ALLPAC receives its funding from approximately 500 executive level employees of Allstate Insurance Company through the assessment of dues. Individual member dues vary, and members have the option of paying their dues by check or through a monthly payroll deduction.

COUNTS 1-4

Failure to Disclose Contributor Information

The FTB conducted two audits of Respondent ALLPAC. One audit covered the period January 1, 1997 through December 31, 1998, and the other audit covered the period January 1, 1999 through December 31, 2000.

During the audit period January 1, 1997 through December 31, 1998, Respondent ALLPAC received contributions totaling \$60,550, and made expenditures totaling \$60,550. During the audit period January 1, 1999 through December 31, 2000, Respondent ALLPAC received contributions totaling \$112,599 and made expenditures totaling \$121,984.

During one pre-election campaign reporting period and three semi-annual campaign reporting periods on and between July 1, 1998 and June 30, 2000, Respondent Committee received campaign contributions from individual Allstate Insurance Company employees of \$100 or more. Thereafter, Respondents were required to report on a campaign statement, for each reporting period, specific itemized information about each contributor, including: the full name and street address of each contributor; his or her occupation and the name of his or her employer, or if self employed, the name of his or her business; the date and amount of each contribution; and the cumulative amount of contributions received from the contributor. Respondents failed to disclose the required itemized information regarding contributions made by Allstate employees on four required campaign statements.

The campaign statements in which Respondents failed to itemize required information, the corresponding reporting period, and the total number of individual contributors for whom itemized information was not disclosed during the reporting period, is set forth in the chart below, according to the stipulated count to which each of the contributions corresponds:

| Count | Statement Type | Reporting Period | Total Number of Contributors Not Itemized |
|-------|----------------|---------------------------|---|
| 1 | Pre-Election | 07/01/98 through 09/30/98 | 34 |
| 2 | Semi-Annual | 10/01/98 through 12/31/98 | 331 |
| 3 | Semi-Annual | 10/01/99 through 12/31/99 | 56 |
| 4 | Semi-Annual | 01/01/00 through 06/30/00 | 89 |
| | | Total: | 510 |

By failing to include the name, street address, occupation, and employer information for contributors on four campaign statements, as set forth above, Respondents committed four violations of Section 84211, subdivision (f).

CONCLUSION

This matter consists of four counts, which carry a maximum possible administrative penalty of Eight Thousand Dollars (\$8,000).

The amount of contributor information not itemized is fairly significant in this matter. However, the failure to itemize information about contributors of \$100 or more was the only material finding in the two FTB audits at issue in this matter.

Subsequent to receiving the results of the FTB's audits, Respondents took corrective action to ensure proper disclosure of the contributions received by Respondent ALLPAC in California. Respondent ALLPAC thereafter properly disclosed Allstate employee contributions in a semi-annual campaign statement filed on February 1, 2001 for the reporting period October 1, 2000 to December 31, 2000.

The typical stipulated administrative penalty for the failure of a committee to provide required information regarding contributors of \$100 or more has historically ranged from \$1,000 to \$2,000 per statement. As these violations do not appear to be especially aggravated, imposition of an administrative penalty approximating the middle of the penalty range is appropriate.

The facts of this case therefore justify imposition of the agreed upon penalty of Six Thousand Dollars (\$6,000).